



Globalization and Fair Trade—Lesson Plan

Student Objectives

- Understand the role of globalization in promoting the international exchange of ideas, goods, and capital and in creating dramatic economic and social challenges in democratic and non-democratic societies.
- Learn the issues raised by government regulation, including special certifications, of agricultural products in the context of globalization and fair trade.
- Explore the balance between creating economic opportunities and promoting mechanisms for individual and societal control over market forces.
- Analyze the reasons supporting and opposing fair trade certification of coffee by government.
- Identify areas of agreement and disagreement with other students.
- Decide, individually and as a group, whether the government should provide “fair trade” certification for coffee and other products; support decisions based on evidence and sound reasoning.
- Reflect on the value of deliberation when deciding issues in a democracy.

Question for Deliberation

In response to market globalization, should our democracy provide “fair trade” certification for coffee and other products?

Materials

- Lesson Procedures
- Handout 1—Deliberation Guide
- Handout 2—Deliberation Worksheet
- Handout 3—Student Reflection on Deliberation
- Reading
- Selected Resources
- Deliberation Question with Arguments
(optional—use if students have difficulty extracting the arguments or time is limited)



Globalization and Fair Trade—Reading

1 Globalization has resulted in stunning changes around the world. Producers and consumers
2 now buy and sell in a worldwide marketplace: in just days, blue jeans made in Lahore can be
3 traded in Los Angeles, shipped to Lidice, and sold in Lodz. Money crosses borders almost
4 instantly. News and ideas speed across the Internet. Today more people are linked to more
5 information more quickly than ever before. Everything—from making shoes or growing wheat to
6 preventing terrorism and promoting democracy—is affected, because everything is connected.

7 The speed and extent of globalization are viewed by some as wonderful and by others as
8 threatening. In many democracies, ordinary citizens have sought ways to exercise greater
9 influence and control over global decisions of governments and corporations, particularly in
10 matters of trade. An example is the fair trade movement that tries to certify a fair exchange
11 between producers in poorer countries and consumers in richer countries for a variety of
12 products. One such product is coffee.

13 **What Is Globalization?**

14 “Few subjects have polarized people throughout the world as much as globalization,” notes
15 Nobel Laureate economist Joseph Stiglitz. “Some see it as the way of the future, bringing
16 unprecedented prosperity to everyone, everywhere.” Others, like the tens of thousands of people
17 who demonstrate whenever the World Trade Organization holds its meetings, “fault
18 globalization as the source of untold problems, from the destruction of native cultures to
19 increasing poverty.”

20 Economist Jagdish Bhagwati defines globalization primarily in terms of economics. In his
21 view, the efforts by different governments to reduce trade and investment barriers, coupled with
22 new information technologies, have resulted in an extraordinarily fast delivery of services and
23 capital between and within nations. Yet with globalization, the buffers of time and space that
24 once protected local markets are much smaller: “Producers in the poor countries [are exposed] to
25 increased risks as a result of shifting to world markets in search of greater prosperity.”

26 Religious leader Jonathan Sachs rejects a strictly economic explanation of globalization.
27 “Mankind was not created to serve markets,” he argues. “Markets were created to serve
28 mankind.” Ironically, the wealth of market choices created by globalization has resulted in “a
29 massive loss of sovereignty over our personal lives.” The result, he says, is that “when things go
30 wrong, as at times they must, we are liable to despair, because our destiny rests in other hands,
31 not our own.” A response to this anxiety, he believes, is to define people as more than economic
32 agents and to take back responsibility for personal and social choices, particularly in commerce.

33 **The Globalization of Coffee: Farmers and Producers in a World Economy**

34 Coffee has been a focus of international commerce since Arab merchants first brought it out
35 of Ethiopia and began to trade it 1,000 years ago. Today, the global coffee market is worth more
36 than \$80 billion annually, and coffee is second only to oil as the most traded commodity on the
37 planet. Yet according to Transfair, a fair trade group, over half of the world’s coffee is produced
38 by small family farmers. As Bhagwati says:

39 Farmers who shift from traditional staples to cash crops (like coffee) because of higher
40 returns at current prices face the prospect that this shift will lead them into ruination if
41 rivals elsewhere with lower prices suddenly move into the market. . . . Since few farmers

42 in the poor countries are likely to take these downside possibilities into account, sudden
43 misery is a possibility.

44 The problems of local growers were recently strikingly demonstrated in the documentary
45 film *Black Gold*. The film follows Tadesse Meskela, the General Manager of the Oromia Coffee
46 Farmers Co-operative Union in Ethiopia, who spends most of his time traveling the world to find
47 coffee buyers who will pay his farmers a better price than that set by the international
48 commodities exchange. He represents over 100 cooperatives made up of 74,000 Ethiopian coffee
49 farmers and close to one-half million members of their families. Without increasing the price of
50 coffee, these farmers face bankruptcy. “Our hope is one day the consumer will understand what
51 they are drinking,” says Meskela. “Consumers can bring a change if awareness is given to
52 consumers. It is not only on coffee, all products are getting a very low price—and the producers
53 are highly affected.” Without the ability to deal directly with purchasers, most small coffee
54 growers must sell their crops to middlemen, often at less than half its market value.

55 **Free Trade**

56 For many supporters of globalization, a central belief is that free trade—trade without
57 governmental taxes or subsidies (price supports)—promotes economic growth for everyone,
58 because a free market enables the best products and services to be produced at the best price. Yet
59 the process of creating “free trade” has been uneven and inconsistent. Some developed nations,
60 for example, are critical of tariffs (taxes) placed on their agricultural products by poorer nations
61 in Africa and South America. Wealthy countries, however, often subsidize their own agricultural
62 producers, leaving small farmers in developing nations at a disadvantage.

63 With coffee, some corporations are responding to the circumstances farmers face. Starbucks
64 Corporation, the giant American coffee producer, follows its own voluntary program for
65 “mutually-beneficial relationships with [the] coffee farmers and coffee communities.”

66 Another response to the precarious condition of farmers is the “fair trade” movement.

67 **Fair Trade**

68 Promoters of fair trade say that it can provide basic economic supports and protections for
69 farmers. According to the Fair Trade Federation, fair trade works “by guaranteeing a minimum
70 wage for small producers’ harvests and by encouraging sustainable cultivation methods. Fair
71 trade farmers also receive badly needed credit and are assured a minimum price. For example,
72 the fair trade price per pound of coffee is \$1.26 (USD). In comparison, the world price is around
73 \$1.00 (USD) per pound with coffee growers earning less than 50 cents per pound.” If coffee
74 growers received fair wages, they could invest in health, education, and environmental
75 protection.

76 The Fair Trade Federation and other organizations use a system of independent certification
77 to determine whether goods are produced according to fair trade standards. Created in 1997, the
78 Fairtrade Labeling Organizations International (FLO) is an association of some 20 labeling
79 initiatives, mainly throughout Europe and North America. Certified producers and products can
80 use a special symbol on coffee and other products. This symbol varies from country to country.

81 Organic foods offer an example of how the certification process works. In the United States
82 and in Europe, governmental agencies certify crops, livestock, and processors as “organic”
83 according to government regulations about what kinds of fertilizers and pest controls are used.
84 Certification has made it easier for consumers and producers to identify and market organic

85 agricultural products. While organic food certification is conducted by governments in America
86 and Europe, to date no nation state has adopted a fair trade certification program.

87 **Fair Trade Certification: Supporters and Opponents**

88 Advocates say that providing fair trade certification encourages and rewards ethical behavior
89 in the marketplace. They note that by sponsoring products that bring a fair wage for workers
90 overseas, citizens can contribute to global stability and mutual respect. In this way, establishing
91 certification promotes democratic principles at home and abroad.

92 Supporters argue that fair trade certification is a perfectly reasonable and responsible exercise
93 of government power. The government intervenes in foreign and domestic markets through such
94 means as price subsidies, tariffs, and quotas. Like organic certification, fair trade certification
95 can serve broader national economic interests, even as it helps domestic consumers. Certification
96 assures consumers that producers receive a fair price for coffee and other products. Adopting
97 certification educates consumers and producers while retaining the power of choice. It represents
98 a good balance between government supports and citizen choices.

99 In addition, supporters argue that the natural outcome of unregulated markets is monopoly,
100 not efficiency. For minimal costs, government regulations foster greater citizen protections at
101 home and better labor practices abroad. This kind of investment promotes democratic principles
102 through choices, not charity. Government regulations exist to protect the rights of citizens as well
103 as those of businesses and corporations.

104 Supporters also say that fair trade certification is smart politics. By guaranteeing a minimum
105 wage for small producers of coffee and other agricultural products, fair trade helps people in
106 other countries fight economic or cultural dislocation. More people staying in their communities

107 and using sustainable farming methods means less urbanization, less pollution, less urban
108 poverty, and fewer immigrants seeking to flee their countries.

109 Opponents of fair trade certification counter that globalization helps make coffee production
110 more efficient and profitable; the coffee growers who remain are more efficient and command
111 better prices for their products. By contrast, government certification will distort the market and
112 increase costs. Fair trade certification will benefit only inefficient coffee producers.

113 Besides, argue opponents, coffee shows why fair trade certification is unnecessary. The free
114 market responds to consumer needs and desires better than government. Markets adjust quickly
115 to the needs of society: if consumers demand more “fair trade” coffee, then the market will
116 respond. By contrast, government regulations respond to political, not economic, forces.
117 Consumer needs and desires are best met by a free market, not government regulations.

118 In the end, opponents argue that certification is arbitrary. It imposes a particular moral
119 viewpoint on everyone else in society. In a world of so many different cultures, people need to
120 have more tolerance for different values, not less. The free market respects differences without
121 dictating one “right” way.

122 Globalization will continue to bind peoples and countries closer together. How will
123 individuals and nations use these new opportunities?



Globalization and Fair Trade—Selected Resources

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Globalization and Fair Trade—Deliberation Question with Arguments

Deliberation Question

In response to market globalization, should our democracy provide “fair trade” certification for coffee and other products?

YES—Arguments to Support the Deliberation Question

1. Providing fair trade certification encourages and rewards ethical behavior in the marketplace. It also promotes democratic principles at home and abroad.
2. Fair trade certification is a reasonable and responsible exercise of government power. All regulation is not arbitrary regulation, and democratic government can serve the people’s interests. Legislatures and regulatory agencies can respond to the needs and desires of both small producers and consumers. Government regulations exist to protect the rights of citizens as well as businesses and corporations.
3. Fair trade certification, like organic certification, serves both producers and consumers. Certification assures consumers that coffee and other agricultural products are sold at a fair price for producers. Adopting a common certification promotes uniformity between markets. It also educates consumers and producers while providing the power of choice.
4. Government regulation is not the enemy of market efficiency. The natural outcome of unregulated markets is monopoly, not efficiency. For minimal costs, government regulations foster greater citizen protections at home and better labor practices abroad. This kind of investment promotes democratic principles through real choices, not charity.
5. Fair trade certification is smart politics. By guaranteeing a minimum wage for small producers of coffee and other agricultural products, fair trade encourages people to stay on the land in their traditional jobs, instead of moving to cities to look for work. More people staying in their communities and using sustainable farming methods means less urbanization, less pollution, less urban poverty, and fewer immigrants seeking to flee their countries.



Globalization and Fair Trade—Deliberation Question with Arguments

Deliberation Question

In response to market globalization, should our democracy provide “fair trade” certification for coffee and other products?

NO—Arguments to Oppose the Deliberation Question

1. Fair trade certification will not help address the challenges of globalization. Instead, it will only impose one group’s particular morality on everyone else. Certification is inherently arbitrary. Thus, it combines the worst elements of managed economies and misguided moralism.
2. The label “fair trade” is unnecessary. The free market will respond to consumer needs and desires better than the government. Consumer demand for fair trade coffee is a perfect example of how the market responds to what people want. Open markets do not need government meddling.
3. Fair trade certification represents an unwelcome and mischievous element of government regulation. Regulation leads to the suppression of new ideas, increases consumer costs, and promotes government interests at the expense of citizen needs. Powers yielded by the people to the government are rarely returned.
4. The label “fair trade” is costly and inefficient. Markets adjust quickly to the needs of society, use new technologies, and generate new products and services. Government regulations respond to political, not economic forces. Consumer needs and desires are best met by a free market, not clumsy government regulations.
5. Fair trade certification distorts the market. Globalization and free markets help winnow out inefficient coffee farmers who cannot effectively compete. Those farmers who remain are more efficient and can command a better price for their products. The only people who want fair trade certification are the bureaucrats whose jobs depend on it and those producers who cannot compete in the global market.